

The Health Coverage Tax Credit (HCTC): How Tax Professionals Can Help Make Health Coverage More Affordable for Their Clients

The HCTC is an innovative federal tax credit that helps individuals pay their health insurance premiums. As a tax professional, you can ensure that individuals understand the HCTC and receive the tax credit if they are eligible.

You can assist your clients who are eligible for the HCTC to have health coverage that they otherwise might not be able to afford.

HCTC Eligibility Requirements

The HCTC pays 65% of qualified health insurance premiums for certain trade affected workers, retirees and their family members. To determine if individuals are eligible for the HCTC, start by asking if they are (or were during any part of the tax year):

- Receiving pension payments from the PBGC and are at least 55 years old;
- Receiving benefits under the Trade Adjustment Assistance (TAA) program; or
- Receiving benefits under the Alternative Trade Adjustment Assistance (ATAA) program.

If the answer to any of these questions is “yes,” then you should determine if the individuals are not enrolled in Medicare. Being enrolled in Medicare disqualifies individuals from receiving the HCTC.

Finally, find out if the individuals have — or can get — health coverage in one of four types of HCTC-qualified health plans:

1. COBRA
2. State-qualified health plans, which are specially designated as qualified for the HCTC
3. Coverage through the spouse's employer
4. Non-group/individual health plans

To learn about the detailed eligibility requirements of the HCTC, visit www.irs.gov (Keyword/Search: HCTC) and download a copy of the HCTC Program Kit to review with your clients.

How To Receive the HCTC

Once you determine that individuals are eligible for the HCTC, they can receive the HCTC in two ways:

Monthly - individuals register for the monthly HCTC and have the 65% tax credit applied each month as their health plan premiums become due; or

Yearly - individuals claim the yearly HCTC on their federal tax return and receive 65% of their premium costs as either a credit against taxes owed or a refund.

It is also possible to combine these two options.

You can help your clients understand their options with the HCTC and make informed tax decisions.

To learn more about the HCTC, visit www.irs.gov (Keyword/Search: HCTC). You may also contact the HCTC Customer Contact Center toll-free at 1-866-628-HCTC (4282). If you have a hearing impairment, call 1-866-626-4282 (TTY).